COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

RE: INVESTIGATION BY THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY ON ITS OWN MOTION INTO DISTRIBUTED GENERATION

INITIAL COMMENTS OF THE CAPE LIGHT COMPACT

A. Introduction

The Towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Edgartown, Eastham, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, West Tisbury, Wellfleet, and Yarmouth, and the counties of Barnstable and Dukes County, acting together as the Cape Light Compact ("Compact"), hereby submit to the Department of Telecommunications and Energy ("Department") their Initial Comments in the above-captioned investigation.

The Compact is a governmental aggregator consisting of all twenty-one towns in Barnstable and Dukes Counties, as listed above, and the two counties themselves. The towns and counties have joined together, pursuant to lawful votes of their governing boards and G.L. c. 40, §4A, to serve as a governmental aggregator in the restructured electric markets and to employ the "opt-out" approach to aggregation specifically approved in St. 1997, c. 164, §247 (the "Restructuring Act") codified as G.L. c. 164, §134. The Compact maintains a business office within the Barnstable County offices in Barnstable, Massachusetts. The Department has previously approved the Compact's municipal Aggregation Plan, D.T.E. 00-47 (2000), the Compact's Default Service Pilot Program, D.T.E. 01-63 (2001) and the Compact's energy efficiency program, D.T.E. 00-47(C)(2001), among other programs.

B. Interests of the Compact

The Compact has a demonstrated interest in encouraging opportunities to apply distributed generation, in both utility and end-user applications. During the past two years, the Compact has established a Distributed Resources committee and planned and received funding for a study of Distributed Generation applications. The Compact has engaged a technical team for its study and is in the process of forming a collaborative of key stakeholders.

Given the unique features of the transmission and distribution ("T&D") systems which serve the Cape and Vineyard, and the geographic constraints of the Compact's communities (i.e. at the end or periphery of supply lines), Distributed Generation may offer distinct benefits over time. Among those potential advantages, Distributed Generation offers opportunities to improve system reliability, relieve transmission congestion, contribute to peak-shaving and defer or reduce system costs at the T&D and generation levels. It also offers potential benefits in end-user applications for combined heat and power ("CHP"), green energy supply, customer peak-shaving and commensurate reduction of demand charges, increased reliability, improved power quality, cost reductions and/or mitigation of price volatility and other such ancillary benefits. These applications are, of course, subject to advances in technology and variations in fuel costs and are anticipated to change over time.

Because many of the potential benefits of Distributed Generation are location and customer-specific, the Department's determinations need to take into account the full range of geographic and system factors. At the same time, the Department should anticipate and accommodate technological and other such changes over time to help fully recognize the potential of Distributed Generation in the Commonwealth.

C. Initial Response to the Department's Specific Questions

The Compact submits below brief initial responses to the Department's four specific inquiries, and looks forward to a full discussion of these issues on reply, at the public hearing and in subsequent proceedings.

Question 1: Current Distribution Company Interconnection Standards and Procedures.

The current standards and procedures related to interconnection of end-user applications do act as barriers and need to be revised. These barriers are procedural, technical and economic. For example, an architect who installs photovoltaic systems in Compact member towns on the Vineyard has reported there is not sufficient differentiation between the sizes of Photovoltaic ("PV") systems. The working utility threshold definition reported is 10 kW or under. Most residential PV systems being installed by this professional are between 960 and 2000 watts. The technical requirements are thus oversized and add significantly to costs. An appropriate resolution would be to make finer distinctions and to recognize differences among gradations in system sizes and technologies and resulting requirements. Other related obstacles which merit a detailed examination include, without limitation, costs of interconnection (including the costs for any interconnection studies undertaken by the local distribution company), requirements for certain certifications, requirements for special metering and installation of "lock boxes" which duplicate other shutoff equipment. The investigation should also include local distribution company business practices such as forms, site inspections and timely approval of completed installations.

As the Department is aware, the states of Texas, New York, and California have been recognized for significant progress made in examining and clearing barriers for distributed generation. The analysis here should consider and incorporate, where warranted, the many relevant and useful policies, standards, and procedures already developed in those states. IEEE's uniform technical interconnection standards should also be examined for their potential application to a range of technologies and applications.

Question 2: Distribution Company Standby Tariffs.

Current back-up tariffs do create a barrier. The methodology for calculation of back-up tariffs needs to recognize not only the real time demands of the customer, but also the fact that within one local distribution company's service territory, there may be varying contributions of the Distribution Generation unit to the overall system and hence there should be different credits or values accorded. As part of this analysis, de-averaged capacity purchase tariffs should be considered, as well as competitively purchased back-up capacity.

Question 3: Distribution Generation at the T&D Level.

As part of a thorough examination of opportunities for the most appropriate locations for new application of Distributed Generation technologies for reliability or peak-shaving to relieve system stresses and supply costs, areas subject to frequent outages or those that pose potential congestion problems should be identified and receive a high priority. The value of Distributed Generation for these areas needs to be examined based on anticipated and historic conditions. In many cases, uses of Distributed Generation may only defer, and not fully reduce, additional

system costs. The Department should also consider the use of third-party generators when they can provide these services more efficiently or less expensively than the local distribution company.

Question 4: Other Issues.

The interrelated nature of technical and cost issues for both utility and end-user applications need to be fully examined. The relationship of end-user and system benefits also need to be fully examined.

In the case of end-user applications, there is the potential for dual value to the customer and the system. Value to both the individual customer and contributions to the T&D system in the form of collective customer benefits of multiple end-user generation to peak-shaving and system energy cost reduction each merit detailed consideration. Real time factors for contribution to the grid need to be fully examined, with such factors perhaps assisting in offsetting back-up costs.

The Compact also believes that the Department should consider local distribution company contract and tariff provisions as well as other utility-related requirements, such as insurance requirements, which affect Distributed Generation project costs.

Finally, the Department's analysis should include a full consideration of the potential environmental benefits of Distributed Generation, and their economic value, whether in backing down dirtier units (or avoiding new construction of less environmentally benign central stations) or in helping to recognize a greater percentage of green power as part of the overall generating mix.

The Compact believes that the Department has an important role to play in facilitating an organizational forum to work out solutions to these barriers. Formation of collaboratives of key stakeholders in specific settings should be strongly encouraged because of the opportunities they present to review issues in a working context.

Respectfully submitted,

CAPE LIGHT COMPACT

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